

## SHARED REVENUE AND TAX RELIEF

Budget Summary by Funding Source							
	2014-15 Base Year Doubled	2015-17 Governor	2015-17 Jt. Finance	2015-17 Legislature	2015-17 Act 55	Act 55 Change Over Base Year Doubled Amount	Percent
<b>Direct Aid Payments</b>							
Expenditure Restraint	\$116,291,400	\$116,291,400	\$116,291,400	\$116,291,400	\$116,291,400	\$0	0.0%
County and Municipal Aid	1,390,151,400	1,392,251,400	1,392,251,400	1,392,251,400	1,392,251,400	2,100,000	0.2
Public Utility Distribution	141,200,000	143,500,000	145,100,000	145,100,000	145,100,000	3,900,000	2.8
State Aid; Tax Exempt Property	173,400,000	180,835,000	173,200,000	173,200,000	173,200,000	- 200,000	- 0.1
Interest Payments on Overassessments of Manufacturing Property	20,000	30,000	30,000	30,000	30,000	10,000	50.0
Payments for Municipal Services	37,168,400	37,168,400	37,168,400	37,168,400	37,168,400	0	0.0
<b>Property Tax Credits</b>							
Homestead Tax Credit	236,420,000	227,600,000	224,400,000	224,400,000	224,400,000	- 12,020,000	- 5.1
Pre-2010 Farmland Preservation Credit	1,800,000	2,100,000	2,100,000	2,100,000	2,100,000	300,000	16.7
Farmland Preservation Per-Acre Credit	40,000,000	33,500,000	36,200,000	36,200,000	36,200,000	- 3,800,000	- 9.5
School Levy Tax Credit	1,494,800,000	1,706,000,000	1,600,400,000	1,600,400,000	1,600,400,000	105,600,000	7.1
First Dollar Credit	300,000,000	300,000,000	298,037,100	298,037,100	298,037,100	- 1,962,900	- 0.7
<b>Other Credits</b>							
Claim of Right Credit	340,000	454,000	454,000	454,000	454,000	114,000	33.5
Jobs Tax Credit	36,000,000	31,500,000	28,900,000	28,900,000	28,900,000	- 7,100,000	- 19.7
Woody Biomass Harvesting and Processing Credit	600,000	112,500	150,000	150,000	150,000	- 450,000	- 75.0
Meat Processing Facility Investment Credit	0	0	100,000	100,000	100,000	100,000	N.A.
Food Processing Plant and Food Warehouse Investment Credit	0	0	150,000	150,000	150,000	150,000	N.A.
Business Development Credit	0	2,500,000	4,250,000	4,250,000	4,250,000	4,250,000	N.A.
Enterprise Zone Jobs Credit	102,400,000	91,800,000	105,600,000	105,600,000	105,600,000	3,200,000	3.1
Veterans and Surviving Spouses Property Tax Credit	64,740,000	63,600,000	58,200,000	58,200,000	58,200,000	- 6,540,000	- 10.1
Dairy Manufacturing Facility Investment Credit	0	0	340,000	340,000	340,000	340,000	N.A.
Cigarette and Tobacco Products Tax Refunds	70,600,000	75,060,000	75,060,000	75,060,000	75,060,000	4,460,000	6.3
Earned Income Tax Credit	88,200,000	90,310,000	74,000,000	74,000,000	74,000,000	- 14,200,000	- 16.1
<b>GPR Total</b>	<b>\$4,294,131,200</b>	<b>\$4,494,612,700</b>	<b>\$4,372,382,300</b>	<b>\$4,372,382,300</b>	<b>\$4,372,382,300</b>	<b>\$78,251,100</b>	<b>1.8%</b>
<b>Other Credits</b>							
Earned Income Tax Credit; Temporary Assistance for Needy Families	<u>\$125,000,000</u>	<u>\$125,000,000</u>	<u>\$137,300,000</u>	<u>\$137,300,000</u>	<u>\$137,300,000</u>	<u>\$12,300,000</u>	9.8%
<b>PR Total</b>	<b>\$125,000,000</b>	<b>\$125,000,000</b>	<b>\$137,300,000</b>	<b>\$137,300,000</b>	<b>\$137,300,000</b>	<b>\$12,300,000</b>	<b>9.8%</b>
<b>Direct Aid Payments</b>							
County and Municipal Aid; Police and Fire Protection Fund	\$106,000,000	\$103,900,000	\$103,900,000	\$103,900,000	\$103,900,000	- \$2,100,000	- 2.0%
<b>Property Tax Credits</b>							
Lottery and Gaming Credit	286,699,000	324,018,800	324,314,200	324,314,200	324,314,200	37,615,200	13.1
Lottery and Gaming Credit; Late Applications	<u>396,600</u>	<u>334,200</u>	<u>334,200</u>	<u>334,200</u>	<u>334,200</u>	<u>- 62,400</u>	- 15.7
<b>SEG Total</b>	<b>\$393,095,600</b>	<b>\$428,253,000</b>	<b>\$428,548,400</b>	<b>\$428,548,400</b>	<b>\$428,548,400</b>	<b>\$35,452,800</b>	<b>9.0%</b>
<b>TOTAL</b>	<b>\$4,812,226,800</b>	<b>\$5,047,865,700</b>	<b>\$4,938,230,700</b>	<b>\$4,938,230,700</b>	<b>\$4,938,230,700</b>	<b>\$126,003,900</b>	<b>2.6%</b>

## Direct Aid Payments

### Budget Change Items

#### 1. STATE AID FOR TAX EXEMPT COMPUTERS, CASH REGISTERS, AND FAX MACHINES [LFB Paper 590]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$7,435,000	- \$7,635,000	- \$200,000

**Governor:** Increase estimated payments by \$2,560,000 in 2015-16 and \$4,875,000 in 2016-17 to reflect projected changes in tax rates and the value of exempt computers, cash registers, and fax machines. With these adjustments, base level funding of \$86,700,000 would increase to \$89,260,000 in 2015-16 and \$91,575,000 in 2016-17.

**Joint Finance/Legislature:** Decrease estimated payments by \$2,960,000 in 2015-16 and \$4,675,000 in 2016-17. Total aid payments are estimated at \$86,300,000 in 2015-16 and \$86,900,000 in 2016-17.

#### 2. PUBLIC UTILITY AID -- SUM SUFFICIENT REESTIMATE [LFB Paper 591]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$2,300,000	\$1,600,000	\$3,900,000

**Governor:** Increase estimated payments by \$400,000 in 2015-16 and \$1,900,000 in 2016-17 from the sum sufficient public utility distribution account to reflect estimated payment amounts. With these adjustments, base level funding of \$70,600,000 would increase to \$71,000,000 in 2015-16 and \$72,500,000 in 2016-17.

**Joint Finance/Legislature:** Increase estimated payments by \$900,000 in 2015-16 and \$700,000 in 2016-17. Total aid payments are estimated at \$71,900,000 in 2015-16 and \$73,200,000 in 2016-17.

#### 3. COUNTY AND MUNICIPAL AID PROGRAM -- POLICE AND FIRE PROTECTION REVENUE REESTIMATE

SEG	- \$2,100,000
GPR	<u>2,100,000</u>
Total	\$0

**Governor/Legislature:** Decrease funding by \$900,000 SEG in

2015-16 and \$1,200,000 SEG in 2016-17 and increase funding by \$900,000 GPR in 2015-16 and \$1,200,000 GPR in 2016-17 in the appropriations for the county and municipal aid program. The SEG adjustment reflects estimated reductions in revenue collected in the police and fire protection fund from a seventy-five cents per month fee imposed on each active retail voice communications service connection with an assigned telephone number. This fund is the source for a portion of county and municipal aid program payments. With these changes, payments from the police and fire protection fund would be estimated at \$52,100,000 SEG in 2015-16 and \$51,800,000 SEG in 2016-17. The GPR increases reflect an adjustment to the sum sufficient appropriation to offset the police and fire protection fund reestimate. With these adjustments, total GPR payments for the county and municipal aid program would be \$695,975,700 in 2015-16 and \$696,275,700 in 2016-17. The total aid distribution from all sources (including \$5,000,000 annually from the medical assistance program) would remain unchanged at \$753,075,715 annually (an amount that is rounded down to \$753,075,700 in the appropriation schedule).

**4. INTEREST PAYMENTS ON OVERASSESSMENTS OF MANUFACTURING PROPERTY -- SUM SUFFICIENT REESTIMATE**

GPR	\$10,000
-----	----------

**Governor/Legislature:** Increase estimated payments by \$10,000 in 2016-17 from the sum sufficient appropriation for interest payments on overassessments of manufacturing property. With this adjustment, base level funding of \$10,000 would remain unchanged in 2015-16 and would increase to \$20,000 in 2016-17. When municipalities refund property taxes resulting from overassessments of manufacturing property, as determined by the Tax Appeals Commission, the state pays 20% of the interest cost of the refund and the municipality pays the remaining 80%.

**5. EXPENDITURE RESTRAINT PROGRAM -- BUDGET TEST**

**Joint Finance/Legislature:** Modify the expenditure restraint program's eligibility requirement pertaining to municipal budgets by clarifying that the adjustment for contracted services serves to exclude from a municipality's budget any costs of providing a contracted service to another governmental unit in the year in which the municipality incurs those costs.

[Act 55 Section: 2532d]

## Property Tax Credits

### 1. SCHOOL LEVY TAX CREDIT INCREASE [LFB Paper 595]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$211,200,000	- \$105,600,000	\$105,600,000

**Governor:** Increase the distribution amount for the school levy tax credit by \$105,600,000, from \$747,400,000 to \$853,000,000, beginning with property taxes levied in December, 2015. For the December, 2015, credit, pay the entire \$853,000,000 on the fourth Monday of July in 2016. Beginning with the December, 2016, credit, pay \$105,600,000 on the fourth Monday of the following June, and pay \$747,400,000 on the fourth Monday of the following July. Increase the appropriation used to fund the credit by \$211,200,000 in 2016-17 (\$105,600,000 for the increased payment in July, 2016, related to 2015 property taxes and \$105,600,000 for the payment in June, 2017, related to 2016 property taxes). The effect of this provision would be to continue to defer the entire school levy tax credit to the following fiscal year for the December, 2015, credit, but then to start funding the increase in the same fiscal year as the credit is extended beginning with the December, 2016, credit. As a result of this change, the funding needed for the credit would be \$958,600,000 in 2016-17, but would decrease to \$853,000,000 annually beginning in 2017-18.

Delete the references to the fourth Monday in July related to the requirements of counties and municipalities on the settlement of the credits with underlying taxing jurisdictions to reflect the establishment of two separate payment dates for the credit.

**Joint Finance/Legislature:** Delete the creation of a payment on the fourth Monday of June and the related changes to the settlement of the credits. Delete the provision setting the distribution at \$958,600,000 in 2016-17 and \$853,000,000 in 2017-18 and thereafter. Instead, set the distribution at \$853,000,000 in 2016-17 and thereafter. Decrease the appropriation used to fund the credit by \$105,600,000 in 2016-17. Under these changes, the annual credit amount would increase to \$853,000,000, beginning with property taxes levied in December, 2015, as proposed by the Governor, but the entire amount would be paid on the fourth Monday of the following July, as under current law.

[Act 55 Section: 2539d]

### 2. LOTTERY AND GAMING CREDIT REESTIMATE [LFB Paper 565]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$37,319,800	\$295,400	\$37,615,200

**Governor:** Provide increases of \$17,776,100 in 2015-16 and \$19,543,700 in 2016-17 to the sum sufficient appropriation to reflect estimates of lottery proceeds available for distribution. With these adjustments, estimated total funding for the credit would increase from an adjusted base level of \$143,349,500 to \$161,125,600 in 2015-16 and \$162,893,200 in 2016-17. The cost of the credit for 2014-15 is estimated at \$170,069,200.

**Joint Finance/Legislature:** Reestimate the lottery and gaming credit by \$1,657,200 in 2015-16 and -\$1,361,800 in 2016-17 to reflect projected available lottery revenues and expenses in the biennium. With these reestimates, the lottery and gaming credit would total \$162,782,800 in 2015-16 and \$161,531,400 in 2016-17.

### 3. LOTTERY AND GAMING CREDIT; LATE APPLICATIONS

SEG	- \$62,400
-----	------------

**Governor/Legislature:** Decrease funding by \$31,200 annually for the sum sufficient appropriation to reflect estimates of the amount of credits to be paid to persons who apply for the credit after tax bills have been issued. As a result, tax credit distributions for late applications would decrease from an adjusted base level of \$198,300 to \$167,100 annually.

### 4. HOMESTEAD TAX CREDIT REESTIMATE [LFB Paper 596]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$8,820,000	- \$3,200,000	- \$12,020,000

**Governor:** Decrease funding by \$3,610,000 in 2015-16 and \$5,210,000 in 2016-17 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. With these adjustments, estimated total funding would decrease from an adjusted base level of \$118,210,000 to \$114,600,000 in 2015-16 and \$113,000,000 in 2016-17. The cost of the credit for 2014-15 is estimated at \$116,000,000.

**Joint Finance/Legislature:** Decrease funding by \$2,100,000 in 2015-16 and \$1,100,000 in 2016-17 to reestimate the sum sufficient appropriation at \$112,500,000 in 2015-16 and \$111,900,000 in 2016-17 to reflect a projected decline in the current year credit and anticipated changes in income, property taxes, and program participation.

### 5. FARMLAND PRESERVATION PER-ACRE CREDIT REESTIMATE [LFB Paper 597]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$6,500,000	\$2,700,000	- \$3,800,000

**Governor:** Decrease funding by \$3,200,000 in 2015-16 and \$3,300,000 in 2016-17 to the

sum sufficient appropriation for the farmland preservation per-acre tax credit, which applies to tax years after 2009. With these adjustments, the credit's base level funding of \$20,000,000 would decrease to \$16,800,000 in 2015-16 and \$16,700,000 in 2016-17. The cost of the credit for 2014-15 is estimated at \$18,500,000.

**Joint Finance/Legislature:** Increase funding by \$1,200,000 in 2015-16 and \$1,500,000 in 2016-17. With these reestimates, total credit funding would equal \$18,000,000 in 2015-16 and \$18,200,000 in 2016-17.

## 6. PRE-2010 FARMLAND PRESERVATION CREDIT REESTIMATE

GPR	\$300,000
-----	-----------

**Governor/Legislature:** Provide increases of \$172,000 in 2015-16 and \$128,000 in 2016-17 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium for claimants who have an active farmland preservation agreement signed prior to July 1, 2009. With these adjustments, estimated total funding would increase from an adjusted base level of \$900,000 to \$1,072,000 in 2015-16 and \$1,028,000 in 2016-17. The cost of the credit for 2014-15 is estimated at \$1,400,000.

## 7. FIRST DOLLAR CREDIT REESTIMATE [LFB Paper 598]

GPR	- \$1,962,900
-----	---------------

**Joint Finance/Legislature:** Decrease funding by \$1,962,900 in 2015-16 to reflect the \$148,037,100 actual amount of property tax year 2014(15) credits to be distributed in July, 2015, based on the \$6,500 credit base established by the Department of Revenue and the number of eligible parcels on which the credit will be claimed. Funding for the credit in 2016-17 would remain at the base level of \$150,000,000.

# Property Taxation

## 1. COUNTY, REGIONAL, AND CITY ASSESSMENT

**Governor:** Create a countywide property assessment system, with exceptions, to replace the municipal property assessment system and the current county assessment option authorized under current law. In lieu of a countywide assessment system and subject to certain conditions, authorize two or more counties to form a regional assessment unit, and authorize first or second class cities (these are cities with a population of 39,000 or more) to continue assessing property within their boundaries. Require all real estate and personal property within the county, region, or city, as appropriate, to be assessed under the newly authorized system as of January 1, 2017, except that DOR would continue to assess all manufacturing property and certain commercial property (where the owner and the municipal governing body request DOR assessment). Change the date by which assessors must deliver assessment rolls to municipal clerks from the first Monday in May to the first Monday in April, effective on December 31, 2016.

*Regional Assessment Units.* Authorize two or more counties to form a regional assessment unit if every county in the unit is contiguous with at least one other county in the unit, provided a county enacts an ordinance to form the regional assessment unit. Require the ordinance to specify the composition and operating standards of the unit, including: (a) the procedure for hiring and removing the regional assessment administrator; (b) timelines and assessment standards consistent with the timelines and standards published by DOR, including a standardized contract for assessors who are hired pursuant to a contract; (c) the procedures for allowing a county to join the regional assessment unit and for terminating a county's participation in the unit; (d) the number of county residents who will serve on the regional board of review; (e) the compensation for the regional board of review members; and (f) other requirements to ensure the proper administration of the regional assessment unit's assessments and operations, as determined by the Secretary of DOR. These provisions would become effective on the bill's enactment. Modify current law provisions by changing responsibility for performing various duties from municipal assessors to county or regional assessment units, effective on December 31, 2016.

*City Assessment Systems.* Authorize any first or second class city that is assessing property within its boundaries as of January 1, 2015, to become part of a county or regional assessment system, effective with the January 1, 2017, tax assessments, or to continue assessing such property, subject to modifications made under this proposal. Require the city to become subject to assessment by the county or regional assessment unit in which the city is located if during any subsequent year the city fails to employ at least 75% of the staff it employed in 2015 who are directly involved with assessing property, not including clerical positions, or the city fails to assess all property at full value. However, require the city assessor to assess property classified as agricultural, undeveloped, or agricultural forest consistent with any applicable statutory standards. Repeal the current law provision that authorizes cities of the second class to create a board of assessors, effective December 31, 2016 (assessment appeals would go directly to the board of review). Specify that if any city becomes subject to county or regional assessment for failing to meet the requirements described above, the county or regional assessment unit shall perform all subsequent assessments.

Require any city that elects to conduct its own assessments to notify the board of the county where the city is located of its decision no later than September 15, 2015. Beginning with property tax assessments as of January 1, 2017, if any city is conducting its own assessments, but elects to have the county or regional assessment unit conduct subsequent assessments in the city, require the city to notify the board of the county or counties where the city is located no later than the first Monday in February in the year preceding the year of the initial county or regional assessments. Specify that the county or regional assessment unit shall then conduct all subsequent assessments. Modify existing statutory provisions applying to municipal assessors in general to apply to assessors under a city assessment system, effective December 31, 2016.

*Staffing.* Require each county or regional assessment unit to employ an assessment administrator, designated as the chief officer responsible for determining the property values in the county or region. Authorize the county executive, the county administrator, or the chairperson of the county board with the approval of the county board, as applicable, to appoint the assessment administrator, effective on December 31, 2016. Specify that the appointment be

made by the most populous county in the case of a regional assessment unit, unless specified otherwise in the ordinance establishing the regional assessment unit. Specify that the administrator must satisfy the standards established by DOR, maintain his or her assessment certification in the manner determined by DOR, and participate in continuing education as determined by DOR. Specify that the administrator is an employee of the county or, in the case of a regional assessment unit, an employee of the most populous county in the regional assessment unit, unless otherwise specified in the ordinance creating the regional assessment unit. Authorize the administrator to employ a staff of individuals who work pursuant to a contract or are individuals employed by the county or any county in the regional assessment unit. Prohibit any administrator or staff member, regardless of whether they are county employees or contract employees, from serving as a member of a county or regional board of review. Require the administrator to develop standards and procedures for assessment employees that are consistent with guidance and standards published by DOR, including the maximum number of parcels an assessor may annually assess and the standards and procedures for the sales verification process. Except as noted, these provisions would become effective with the bill's enactment.

*Equalized Value.* Require the assessment administrator to submit the full values of all parcels assessed by the county or regional assessment unit to DOR by the second Monday in June each year, and require DOR to audit and correct the reported values. Require DOR to publish the full values, as corrected, no later than August 1 of each year, beginning in 2017. Specify that the published full values would be considered the equalized values for purposes of the property tax statutes and change the date by which DOR must certify equalized values from August 15 to August 1, effective on December 31, 2016.

*Operating Costs.* Require each assessment administrator to determine the costs of operating the county or regional assessment unit office and report the amount to the financial administrator of the county or of each county of the regional assessment unit. Require the county or the counties of the regional assessment unit to charge each municipality that receives assessment services a proportionate share of the assessment costs. Limit the amount charged each municipality to 95% of the municipality's assessment costs in 2015, increased by the valuation factor used to calculate the municipality's levy limit under current law provisions for all years after 2015. Require the municipality to pay any such charges by the deadline established by the county or regional assessment unit. These provisions would become effective with the bill's enactment, but would first relate to the property tax assessments for January 1, 2017.

*DOR Assessment Standards.* Repeal current law provisions requiring municipalities to assess property at full value at least once in every five-year period, requiring DOR to provide notice to municipalities where the assessed value for each major class of property has not been within 10% of that property's full value at least once in the preceding four years, imposing a training requirement on municipalities not meeting the 10% standard in five years, authorizing DOR to provide training, and requiring DOR to order special assessment supervision for municipalities that continue to not meet the 10% standard. These provisions would take effect on December 31, 2016. Modify DOR's general program operations appropriation for the Division of State and Local Finance to delete the reference to the assessor training program, effective upon the bill's enactment.



Instead, in 2017 and in each subsequent year, require each city, county, and regional assessment unit responsible for assessing property to publish a notice on its Internet website, as prescribed by DOR rule, before it conducts an assessment, to assess property within its boundaries at full value, and to submit the full value of property assessed by the city, county, or regional assessment unit to DOR no later than the second Monday in June in an electronic format. Require DOR to annually audit and correct the submitted values. Require DOR to finalize and publish the final values no later than September 15, 2017, for values submitted in 2017, and no later than August 1 for values submitted in subsequent years (a separate bill provision would establish the August 1 deadline beginning in 2017).

If the Secretary of DOR determines that a city that conducts assessments is in substantial noncompliance with the full value assessment requirement, require the city to become subject to assessment by the county or regional assessment unit, as appropriate, in the year following the year of noncompliance. If the Secretary of DOR determines that a county or regional assessment unit that conducts assessments is in substantial noncompliance with the full value assessment requirement, require DOR to assist the county or regional assessment unit with the assessment in the year following the year of noncompliance. Require the county or regional assessment unit to pay DOR 50% of the Department's costs in providing such assistance if the assistance is provided in 2017 through 2022. If DOR provides assistance in any year after 2022, require the county or regional assessment unit to pay DOR 100% of the Department's costs in providing such assistance. Require DOR to notify DOT if any county or regional assessment unit fails to remit payment for DOR's assistance, and require DOT to reduce the general transportation aid payment for the county or for the counties participating in the regional assessment unit in an amount equal to that owed to DOR and to remit this amount to DOR. Authorize the Secretary of DOR to require a county or regional assessment unit to replace its assessment administrator if the incumbent administrator demonstrates fraud, deceit, negligence, incompetence, or misconduct, or if the administrator is subject to revocation for failing to meet recertification requirements. These provisions would take effect on December 31, 2016.

*Board of Review - Members and Organization.* Repeal current law provisions relating to municipal boards of review and modify other current law provisions by deleting references to towns, villages, cities, and their officials and substituting references to first and second class cities that elect to continue providing assessment services. In counties with a county assessment system, require the county board to adopt an ordinance creating a county board of review consisting of six to 10 county residents. Require counties participating in a regional assessment unit to create a regional board of review, consisting of seven to 11 members. Establish five-year, staggered terms for members of county or regional boards of review. Prohibit more than two members of any board from residing in the same municipality; prohibit any board member from serving in a local or state public office or being employed as a local or state governmental employee, as defined under current law; and prohibit any board member from residing in a city that has elected to conduct its own assessments. Require the county executive, or the county board chairman if there is no executive, to appoint members to county or regional boards of review with the approval of the county board, except specify that appointments to regional boards of review would be made individually by each county within the region. Require the county board to adopt an ordinance establishing compensation for members of county boards of review, and require regional assessment units to establish compensation for members of regional

boards of review. Delete the current law requirement that at least one board of review member, who is either the municipal chief executive officer or the officer's designee, must have completed DOR training for board of review members within two years of the board's first meeting and instead require all board of review members to attend DOR training at least once in the year prior to the board's first meeting each year. Require the city or county clerk, as appropriate for the type of assessment system, to provide an affidavit to DOR stating whether the training requirement has been fulfilled for all individuals serving on the board of review. These provisions would take effect on December 31, 2016.

*Board of Review - Proceedings.* Create provisions requiring county or regional boards to hold annual meetings for the purpose of examining assessment rolls. Require county boards to hold at least two meetings each year and to hold the meetings in different municipalities within the county. Require regional boards to meet at least once in each participating county and at an additional time in a municipality that is different from the other municipalities where the board met in that year. Modify current law provisions regarding board of review proceedings by replacing references to municipalities with references to cities electing to conduct assessments, counties with county assessment systems, and counties in regional assessment units. In addition, change the date for the board's annual meeting from any time during the 30-day period beginning on the second Monday of May to any time during the 30-day period beginning on the second Monday of April and repeal language allowing municipalities to set nonstandard hours for the first meeting. For counties with county or regional assessment units, require the assessment administrator to designate a place for board of review meetings. Require assessment administrators to notify DOR of the date and time of initial board of review meetings and, in years when an assessment has been conducted, change the period for posting notices of initial board of review sessions from 30 days to 15 days prior to the session. Require assessment administrators to be present at all county or regional board of review meetings. Modify current law provisions to clarify that the "clerk" is the "board of review clerk." Modify the current law provision requiring persons asking to have a board of review member removed to provide notice of this request at the board's first session and, instead, allow persons to provide notice at any session. Extend the current law procedures for holding initial board of review sessions to all sessions held by county or regional boards of review.

Allow taxpayers to file written objections with the appropriate city, county, or regional board of review alleging that the assessment of one or more items or parcels of property within the boundaries of the city, county, or regional assessment unit is radically out of proportion to the general level of assessment of all other property within the boundaries of the city, county, or regional assessment unit, if the assessed value of such property does not exceed \$1 million (the bill would repeal a similar provision allowing such reviews of assessment to be made by DOR).

Make the following modifications to the statutes related to boards of review to remove language found to be unconstitutional by the Wisconsin Supreme Court in a 2011 decision (*Metropolitan Associates v. City of Milwaukee*): (a) repeal the current law provisions allowing taxpayers who pay a \$100 fee to seek a 60-day delay in board of review proceedings if the municipality or a first class city has enacted an ordinance allowing such delays, and delete related provisions pertaining to court review of board of review decisions; (b) repeal the current law provision that requires the municipal boards of review to allow sufficient time for hearings

to permit taxpayers and assessors to present their evidence; (c) modify current law provisions regarding court review of board of review decisions by deleting a provision that allows the court to remand assessments for reconsideration by a board when the court determines that the board lacked good cause to deny a request for a deposition subpoena and a provision that allows parties to agree to apply court decisions to assessments covering more than one assessment year; and (d) make similar changes to current law provisions pertaining to court review of assessment appeals in first class cities.

These provisions would take effect on December 31, 2016.

*Review of Assessment by DOR.* Repeal the current law provision allowing taxpayers to file a complaint with DOR, pay a fee, and have DOR revalue one or more items or parcels of property, provided DOR finds that a revaluation is warranted, and delete related cross references in other current law provisions. These provisions would take effect on December 31, 2016.

*Expert Assessment Help.* Repeal the current law provisions allowing municipalities to employ expert assessment help when conducting an assessment and requiring DOR to certify expert appraisers for use by municipalities seeking help. Modify the related DOR appropriation by deleting language relating to the program. These provisions would take effect on December 31, 2016.

*Assessor Certification.* Delete the ability of an assessor to be recertified through examination as an alternative to attending at least four of five annual assessor meetings. Authorize DOR to revoke a person's certification if the person fails to attend more than one annual meeting or fails to meet the continuing education requirements in any recertification cycle. Authorize DOR to reinstate a revoked certification after a period of not less than one year if the person whose certification was revoked requests reinstatement, attends the next annual assessor meeting called by DOR after the revocation, and passes a certification examination. Authorize the DOR Secretary, or the Secretary's designee, to suspend (in addition to the current authority to revoke) a certification for fraud or deceit in obtaining certification, or any negligence, incompetence, or misconduct, and to require any assessor, assessment personnel, or expert appraiser to take corrective action in order to avoid revocation or suspension of the person's certification in such cases. Change the time by which DOR personnel must obtain the first level of certification to be within a timeframe consistent with DOR's employment practices, rather than within 100 days of the employee's appointment. These provisions would take effect on the general effective date of the bill. Modify current law provisions relating to DOR's assessor certification program to apply to personnel of county and regional assessment units and delete obsolete language, both effective on December 31, 2016.

*Current Law Provisions Relating to County Assessor Systems.* Repeal current law provisions authorizing county boards to create a county assessor system and appropriating certain monies for DOR performance of county assessment studies. The county assessment language created by the bill would replace the current authority. Delete current law provisions referencing those systems. These provisions would take effect on December 31, 2016.

*Omitted Property.* Modify the current law provision related to taxable property that was omitted from the assessment roll in any of the two next previous years to specify that the

provision extends to property that was omitted "in whole or in part" and limit the provision to property that can be identified as property discrete from the property that was formerly assessed. Change the date, in 2016 only, for municipal clerks to submit information to DOR on omitted property from no later than October 1 to no later than November 1. These provisions would take effect on the general effective date of the bill.

*Miscellaneous Provisions.* Repeal current law provisions and related references in other current law provisions pertaining to town, village, city, and municipal assessors. Modify current law references to reflect that assessments would be conducted by first and second class cities, counties, and regional assessment units. Specify that all notices of changed assessment would have to be sent at least 15 days before the initial meeting of the board of review (current law requires at least 30 days notice in years in which a reassessment occurs). Modify current law provisions regarding civil service systems established by towns to accommodate the transition to county or regional assessment. Repeal the current law provision requiring counties to reimburse municipal assessors, clerks, and other officials for travel and related expenses when attending meetings convened by DOR's supervisors of equalization. Modify current law provisions regarding claims on excessive assessments to be consistent with proposed changes to board of review provisions, to reflect the proposed repeal of assessment reviews by DOR, and to remove the prohibition on taxpayers in counties with a population of 500,000 or more from making claims on excessive assessments [this last provision was found to be unconstitutional by the Wisconsin Supreme Court in a 2001 decision (*Nankin v. Village of Shorewood*)]. These provisions would take effect on December 31, 2016.

Appropriation and position changes that are related to these provisions are reflected in an entry with the same title under "Revenue - Tax Administration."

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## **2. PROPERTY TAX BILL INFORMATION [LFB Paper 600]**

**Governor:** Modify the current law provision that requires certain information to be included on the property tax bill to also require the bill to indicate: (a) the amount of the debt service from bonds issued by each taxing jurisdiction and the taxpayer's proportionate share of that amount; (b) the amount of any fees or charges assessed by each taxing jurisdiction that is collected in the tax levy and the taxpayer's proportionate share of that amount; (c) the amount of taxes levied for the maintenance and operation of each county, city, village, town, school district, and technical college district where the property is located; and (d) the amount of taxes levied to pay for all of the following: (1) the redemption charges on any bonded indebtedness or other long-term obligation incurred by each taxing jurisdiction where the property is located; (2) additional amounts levied pursuant to a referendum to exceed a tax levy limitation of a taxing jurisdiction where the property is located; and (3) the maintenance and operation of any taxing jurisdiction where the property is located, other than the jurisdictions listed under (c). This provision would first apply to property tax bills mailed to taxpayers in 2015.

State law directs the Department of Revenue to prescribe the form of the property tax bill and requires the form to be uniform. Current law requires the tax bill to show: (a) the amount of

school taxes allocable to the property (net of the school levy tax credit) for the prior year and the current year and the percent change between the years; (b) the amount of gross tax allocable to the property levied by each other taxing jurisdiction for the prior year and the current year and the percent change between the years; (c) the sum of the tax amounts allocated for each taxing jurisdiction, displayed for the prior year and the current year and the percent change between the years; (d) the lottery and gaming credit, if applicable, displayed for the prior year and the current year and the percent change between the years; (e) the first dollar credit, if applicable, displayed for the prior year and the current year and the percent change between the years; (f) the net property tax due, displayed for the prior year and the current year and the percent change between the years; (g) the net tax rate after distribution of the school levy tax credit; (h) the description of the property shown on the tax roll or an abbreviation of the description; (i) the amount of assessment issued by a drainage board or an indication that no assessment was issued, if the property is in a drainage district; (j) an indication of whether there are delinquent taxes on the property; (k) a notice of tax credits that may be available to taxpayers (homestead, farmland preservation, and school property tax); (l) a notice that taxpayers may request a copy of the tax receipt; (m) an explanation of when taxes are due and to whom they must be paid; and (n) estimated state aid payments to the county, municipality, school district, and technical college district for the prior year and current year.

**Joint Finance/Legislature:** Delete provision. Require the tax bill to include the total amount of tax levied on all property in the current year and the amount of tax levied on the individual property in the current year, both of which are the result of a referendum to exceed the school revenue limit, the technical college revenue limit, or the county and municipal levy limit on a non-permanent basis. Extend the requirement to towns where a vote to exceed the levy limit was adopted at an annual town meeting or at a special town meeting. Require a separate listing for the amounts associated with each such referendum or town meeting approval, which includes the date on which the additional approved levy is expected to be discontinued. Limit the requirement to referenda or town meeting votes that occur on or after January 1, 2015. Require the information to be supplied in a section of the tax bill that is separate from the billing information. Extend this requirement to tax bills issued in December, 2015, and thereafter.

[Act 55 Section: 2486d]

### **3. COUNTY AND MUNICIPAL LEVY LIMIT -- ADJUSTMENT FOR UNUSED LEVY AUTHORITY CARRIED FORWARD FROM PRIOR YEARS**

**Joint Finance/Legislature:** Create a levy limit adjustment allowing a political subdivision to increase its allowable levy by the amount of unused levy authority from prior years for levies adopted beginning in 2015, as follows: (a) establish the annual carryforward factor as the difference between the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor and the political subdivision's valuation factor; (b) establish the maximum carryforward factor as the sum of the annual carryforward factors for the five preceding years, but not including any year prior to 2014(15), less any carryforward adjustment made under (d) in a prior year; (c) specify that if the result of the preceding calculation exceeds 5%, the maximum carryforward factor would be reduced to 5%; (d) specify that a political subdivision may

increase its levy by its maximum carryforward factor with a two-thirds vote of the political subdivision's governing body, provided that the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year; and (e) specify that any political subdivision that adjusts its allowable levy under this provision cannot also adjust its allowable levy under the carryforward adjustment authorized under current law.

[Act 55 Sections: 1986m and 1986me]

#### **4. COUNTY AND MUNICIPAL LEVY LIMIT -- ADJUSTMENT FOR SERVICE TRANSFERS**

**Joint Finance/Legislature:** Modify the levy limitation authorized under current law to allow any political subdivision that transfers to another governmental unit responsibility for providing any service that the political subdivision provided in the preceding year and any political subdivision that increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit that provided the service in the preceding year to adjust its allowable levy. Set the adjustment equal to one-half of the difference between the cost that would have been incurred to provide the service and the cost to provide the service, but require that amount to be divided between the entities agreeing to the service transfer, as specified in the transfer agreement. Specify that the provision first be extended to taxes levied beginning in 2015.

**Veto by Governor [C-62]:** Delete provision.

[Act 55 Vetoed Section: 1986j]

#### **5. COUNTY AND MUNICIPAL LEVY LIMIT ADJUSTMENT FOR COVERED SERVICES**

**Joint Finance/Legislature:** Modify the current law provision that extends a levy limit adjustment for fee revenues and payments in lieu of taxes that are used to fund certain covered services by excluding any garbage collection by a county or municipality that owned and operated a landfill on January 1, 2013, from the definition of covered service. Specify that this change would first apply to property tax levies imposed in December, 2015.

[Act 55 Sections: 1986f and 9329(3c)]

#### **6. SETTLEMENT OF DELINQUENT ASSESSMENTS AND CHARGES**

**Joint Finance/Legislature:** Modify current law provisions related to special assessments, municipal public utility charges, and sewerage service charges that are delinquent or in arrears by changing their characterization from special tax to special assessment or special charge. Modify the current law provision relating to municipal recovery of expenses incurred from the construction and repair of sidewalks by changing the term special tax to special charge. Specify that these provisions

would first be extended to assessments and charges included on tax bills issued in December, 2015.

[Act 55 Sections: 1990h, 1991d, 1991e, 1991f, 1991r, 1991v, and 9337(4u)]

## **7. PROPERTY TAX EXEMPTION FOR RENTED PERSONAL PROPERTY**

**Senate/Legislature:** Modify the two current law provisions exempting personal property held for rental for one month or less and for 364 days or less, by deleting the phrase "which is engaged in any business other than personal property rental" and substituting the phrase "and the owner is engaged in the rental of the property subject to the exemption to the other enterprise." Extend this treatment retroactively to property assessed on, or after, January 1, 2014. By deleting this provision, companies that engage in equipment rental and leasing, but also provide ancillary services, would become eligible for the exemption. However, it would not allow companies that own their equipment and pay personal property taxes on their equipment to become eligible for the exemption by creating a subsidiary company that leases or rents this equipment to the parent company.

[Act 55 Sections: 2037m, 9337(5k), and 9437(5k)]

## **Local Revenue Options**

### **1. PREMIER RESORT AREA -- CITY OF RHINELANDER**

**Joint Finance/Legislature:** Provide an exemption for the City of Rhineland in Oneida County from the statutory requirement that 40% of their equalized value be used by tourism-related retailers in order to declare themselves a premier resort area. Require that in order to impose a 0.5% premier resort area tax, the City's governing body would have to adopt a resolution proclaiming its intent to impose the tax and the resolution would have to be adopted by a majority of electors in the City at a referendum held at the first spring primary or election, partisan primary, or general election occurring at least 70 days after the date the resolution is adopted. Provide that the ability of the City to impose the tax would take effect on the first day of the calendar quarter beginning at least 120 days after publication of the bill. Specify that City could only expend the revenues from the tax on transportation-related infrastructure and that the City would have to expend at least the same amount of other funds on transportation-related infrastructure each year that it spent during the calendar year prior to the year in which the premier resort area tax is first imposed.

[Act 55 Sections: 2003p thru 2003pg and 9437(3f)]

### **2. LOCAL GOVERNMENT LODGING ("ROOM") TAX**

**Joint Finance:** Make the following modifications to the local room tax requirements under current law.

a. Delete the current law provision that allows a municipality to directly spend the portion of room tax revenues required to be used for tourism promotion and development for those purposes, first applying to taxes collected and expenditures made on January 1, 2016.

b. Require, rather than allow, as a under current law, a municipality to forward the portion of room tax revenues required to be spent on tourism promotion and development to a local tourism commission, which could receive these funds under current law, or a tourism entity, first applying to taxes collected on January 1, 2016.

c. Specify that any municipality that currently retains over 30% of local room tax revenues for purposes other than tourism promotion and tourism development would be limited to the greater of 30% of current year revenues or the following dollar amounts:

(1) in 2016, the same dollar amount of annual room tax revenues the municipality retained for such purposes in 2013;

(2) in 2017, the same dollar amount of annual room tax revenues the municipality retained for such purposes in 2012;

(3) in 2018, the same dollar amount of annual room tax revenues the municipality retained for such purposes in 2011;

(4) in 2019, the same dollar amount of annual room tax revenues the municipality retained for such purposes in 2010; and

(5) in 2020, and thereafter, the same dollar amount of annual room tax revenues the municipality retained for such purposes in 2009.

d. Specify that for any contract entered into by a municipality, which existed on or before January 1, 2015, and remains in effect, any room tax revenues needed to meet that contract would not be subject to the limit described under "c" until the terms of the contract are satisfied, at which time the limit would apply.

e. Beginning in 2016, annually on or before May 1, require all municipalities with a local room tax to certify and report to the Department of Revenue (DOR), on a form created and provided by the Department, the following:

(1) the amount of room tax revenue collected, and the room tax rate imposed, by the municipality in the previous year;

(2) a detailed accounting of the amounts of such revenue that were forwarded in the previous year for tourism promotion and tourism development, that specifies the tourism commission or tourism entity that received the revenue and includes a detailed accounting for expenditures of at least \$1,000 made by a tourism commission or a tourism entity; and

(3) a list of each member of the tourism commission and each member of the governing body of a tourism entity to which the municipality forwarded room tax revenue in the previous year, and the name of the business entity the member owns, operates, or is employed by, if any.



f. Specify the following related to annual reports from municipalities with a local room tax:

- (1) that DOR collect the reports and make them available to the public;
- (2) that DOR would have the authority to impose a penalty of not more than \$3,000 on a municipality that does not submit a report and that the penalty must be paid to DOR; and
- (3) that a municipality may not use room tax revenue to pay a penalty for failing to submit a report.

g. Require any municipality that collected a room tax on May 13, 1994, to include with the report to be filed on or before May 1, 2016, a copy of its room tax ordinance that was in effect on May 13, 1994, and a copy of the municipality's financial statement that was completed nearest in time to May 13, 1994, and that shows the percentage of room tax revenue that the municipality retained for its own purposes other than purposes related to tourism promotion and development.

h. Modify the current law definition of a "tourism entity" to include the following:

- (1) the entity must be a nonprofit organization that came into existence before January 1, 2015, rather than January 1, 1992, as under current law, except that if no such organization exists on January 1, 2015, a municipality may contract with such an organization if one is created in the municipality; and
- (2) the entity must spend at least 51% of its revenues on tourism promotion and tourism development and must provide destination marketing staff and services for the tourism industry in a municipality.

i. Require the following relating to a tourism entity:

- (1) that the governing body include at least one owner or operator of a lodging facility that collects the room tax and is located in the municipality for which the tax is collected; and
- (2) to report annually to each municipality from which it receives room tax revenue the purposes for which the revenues were spent, first applying to expenditures made on January 1, 2016.

j. Modify various statutory references that refer to tourism promotion and development to refer instead to tourism promotion and tourism development.

**Senate/Legislature:** Modify provision by delaying the following by one year: (a) from 2016 to 2017, the year in which the restriction that municipalities could no longer spend room tax revenues directly and the requirement that municipalities could retain the greater or 30% of current year revenues or an annual sliding scale of prior year amounts would first apply; (b) from January 1, 2015, to January 1, 2016, the date on which a municipal contract would have to be in effect in order to exempt revenues needed to fulfill the terms of the contract from the requirement under "a" (the reference to the contract being in effect on the effective date of the bill was deleted); (c) from

January 1, 2015, to January 1, 2016, the date on which a tourism entity that would be eligible to receive room tax revenues would have to be in existence and the allowance that if no such organization exists in a municipality that the municipality may contract with such an organization if one is created in the municipality; (d) each of the sliding scale of prior year amounts used under "a"; and (e) from 2016 to 2017, the reporting requirements to provide information to the Department of Revenue.

**Veto by Governor [C-59]:** Limit the definition of "tourism entity" to such nonprofit organizations in existence before January 1, 1992, except that if no such organization existed in a municipality on January 1, 2016, a municipality may contract with such an organization if one is created in the municipality.

Delete the exception, for revenue needed to meet the terms of a contract entered into on or before January 1, 2016, from the general requirement that a municipality could retain for general purposes only the greater of 30% of current year revenues or an annual sliding scale of prior year amounts. As a result, all room tax revenue collected by the affected municipalities would be subject to the general requirement.

[Act 55 Sections: 1990e thru 1990ek, 1990eL, 9129(3f), and 9329(3f)]

[Act 55 Vetoed Sections: 1990ec, 1990ek, and 1990ekf]

### **3. PUBLIC FIRE PROTECTION CHARGES**

**Joint Finance/Legislature:** Specify that a public or municipal utility could charge the following persons for only one parcel of property, when billing for public fire protections services that are not included in general service charges: (a) persons owning two or more adjacent parcels; or (b) persons owning two or more parcels that are divided only by a roadway or a brook, creek, river, or stream.

[Act 55 Section: 3528k]

## **Other Credits**

Descriptions of any budget provisions related to the earned income tax credit, veterans and surviving spouses property tax credit, jobs tax credit, enterprise zone jobs tax credit, business development credit, woody biomass harvesting and processing credit, claim of right credit, and cigarette and tobacco products tax refunds are provided under "General Fund Taxes."